



MICHIGAN ECONOMIC UPDATE

Office of Revenue and Tax Analysis
Michigan Department of Treasury

<http://www.michigan.gov/treasury>

May 2012 Summary

U.S. Economy: In May, industrial production was up 4.7 percent from a year ago and capacity utilization increased 2.7 percentage points. May housing starts were up 28.5 percent from a year ago and existing home sales rose 9.6 percent. Retail sales were up 5.3 percent from last May and new durable goods orders increased 4.7 percent. At 79.3, consumer sentiment was up 5.0 points from a year ago to its highest reading since October 2007 (two months before the Great Recession). In 2012Q1, business executive confidence fell 8.0 points from 2011Q1. Compared to a year ago, the ISM manufacturing index was down 0.7 point and the ISM non-manufacturing index was off 0.8 point. However, the manufacturing index has indicated expansion (index over 50) in each of the past 34 months and the non-manufacturing index has shown growth in each of the past 29 months.

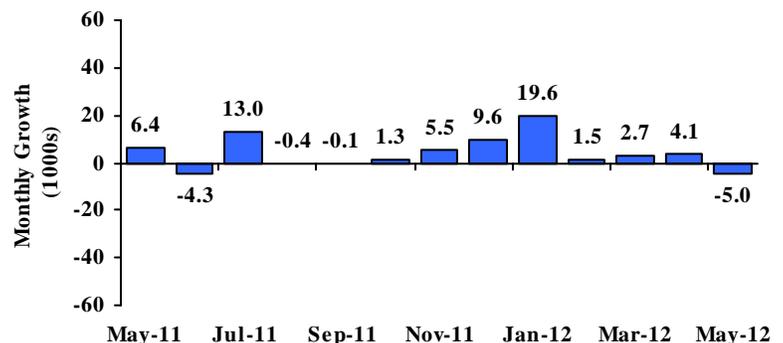
Employment: In May, Michigan employment was up 1.2 percent from the year-ago level -- marking the 24th straight year-over-year increase. Nationally, employment increased 1.4 percent from last May. While increasing 0.2 percentage point from last month to 8.5 percent, the May 2012 Michigan unemployment rate was down 2.1 percentage points from a year ago. At 8.2 percent, the U.S. unemployment rate was down 0.8 percentage point from a year ago.

Auto Industry: While the light vehicle annual sales rate was down 4.5 percent from last month, the May 2012 rate was up 17.4 percent from a year ago. Michigan vehicle production was up 23.7 percent while U.S. production rose 35.2 percent.

Inflation: Compared to a year ago, the overall U.S. consumer price index (CPI) rose 1.7 percent while the core CPI (excluding food and energy) was up 2.3 percent. The overall producer price index (PPI) rose 0.7 percent while the core PPI increased 2.7 percent. At \$94.70 per barrel, oil prices were down \$6.63 from May 2011.

Michigan Metro Areas: Unemployment rates fell in all 17 major Michigan labor markets in May compared with year-ago levels. Employment rose in all 17 areas with a median increase of 2.7 percent. All but one Michigan county saw a year-over-year unemployment rate drop.

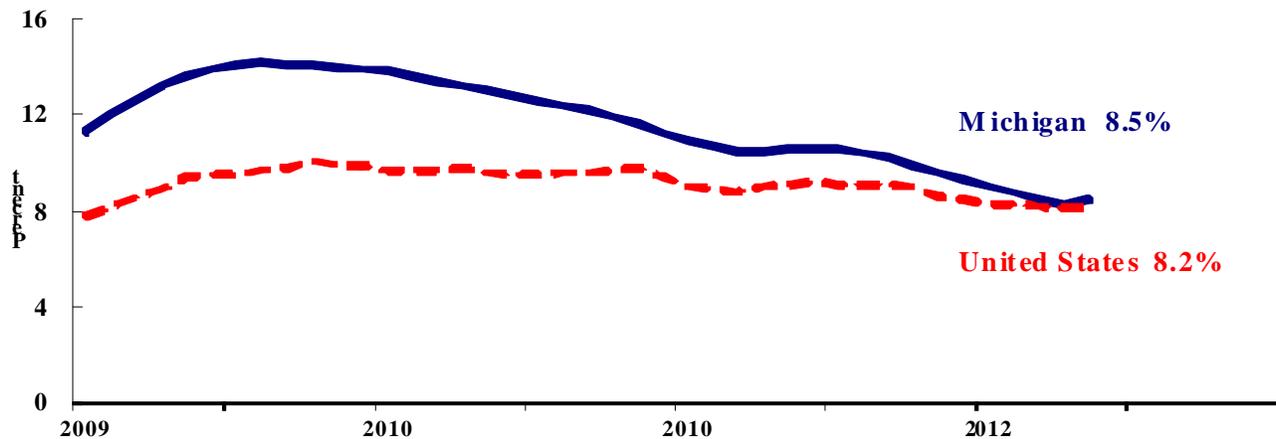
Michigan Employment Declines in May 2012^(a)



Labor Market Statistics

- Michigan’s May unemployment rate increased 0.2 of a percentage point from last month to 8.5 percent, and the current Michigan jobless rate is down 2.1 percentage points from a year ago. The May U.S. unemployment rate increased 0.1 of a percentage point from April to 8.2 percent and was down 0.8 of a percentage point from a year ago. Monthly unemployment rates fluctuate in part due to statistical sampling errors and data revisions.

Michigan and U.S. Monthly Unemployment Rates 2009 to 2012



Source: Michigan Dept. of Technology, Management & Budget and Bureau of Labor Statistics, U.S. Dept. of Labor

- In May, the number of people employed in Michigan was 4,268,000, down 2,000 from last month, while the labor force increased by 4,000. The statewide total number of unemployed increased by 6,000 to 395,000.
- United States household employment totaled 142.3 million persons in May. The labor force totaled 155.0 million and there were 12.7 million unemployed in May 2012.

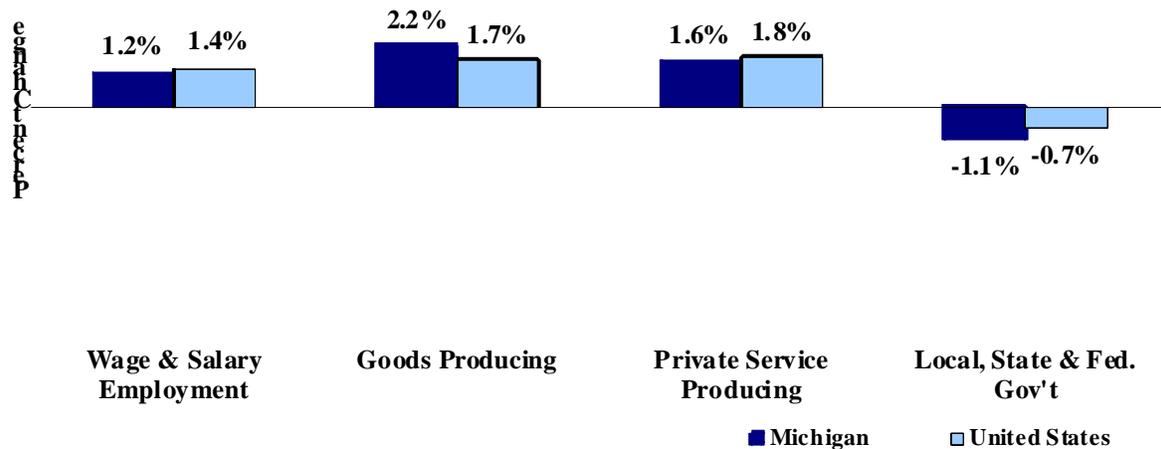
Employment by Place of Residence (in thousands)^(a)

	2011 Average	Mar 2012	Apr 2012	May 2012	Change From			
					Prior Month		Last Year	
					Level	%	Level	%
Michigan								
Labor Force	4,658	4,656	4,659	4,663	4	0.1%	-4	-0.1%
Employed	4,178	4,259	4,270	4,268	-2	0.0%	94	2.3%
Unemployed	480	397	389	395	6	1.5%	-98	-19.9%
Unemployment Rate	10.3%	8.5%	8.3%	8.5%	n.a.	0.2% pts	n.a.	-2.1%
United States								
Labor Force	153,617	154,707	154,365	155,007	642	0.4%	1,307	0.9%
Employed	139,869	142,034	141,865	142,287	422	0.3%	2,479	1.8%
Unemployed	13,747	12,673	12,500	12,720	220	1.8%	-1,172	-8.4%
Unemployment Rate	8.9%	8.2%	8.1%	8.2%	n.a.	0.1% pts	n.a.	-0.8%

Employment by Place of Work

- From May 2011 to May 2012, Michigan wage and salary employment increased 47,000 (1.2 percent). State wage and salary employment decreased 5,000 from April. Nationally, May 2012 wage and salary employment rose 1,816,000 (1.4 percent) from a year ago and was up 115,000 from last month.

Wage and Salary Employment Growth May 2011 to May 2012



Source: Bureau of Labor Statistics, Michigan Department of Technology, Management & Budget

- In the goods-producing sector, Michigan employment increased 2.2 percent from a year ago while private service-producing sector employment increased 1.6 percent compared to last year. From a year ago, May national employment in the goods-producing sector rose 1.7 percent and increased 1.8 percent in the private service-producing sector.
- Manufacturing weekly hours in Michigan decreased 1.1 hours in May compared to last year.

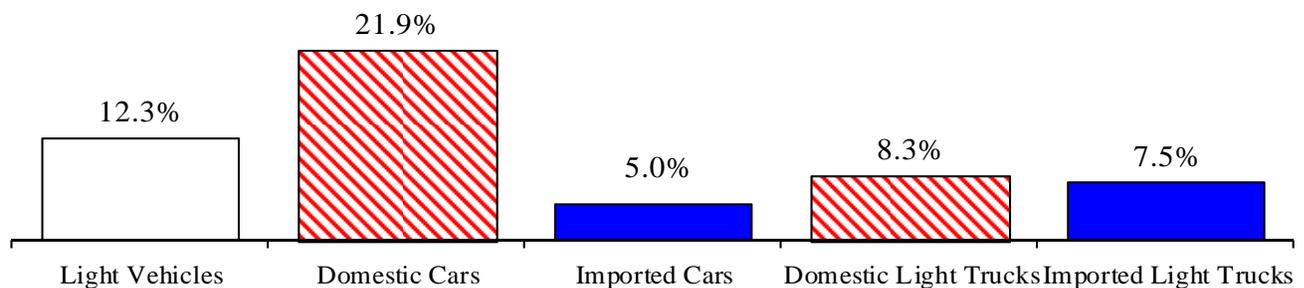
Wage and Salary (Payroll) Employment (in thousands)^(b)

	Michigan				United States			
	2011 Average	May 2011	May 2012	Percent Change	2011 Average	May 2011	May 2012	Percent Change
Wage & Salary Employment	3,936	3,936	3,983	1.2%	131,359	131,227	133,009	1.4%
Goods Producing	638	637	651	2.2%	18,021	18,001	18,307	1.7%
Manufacturing	506	505	524	3.8%	11,733	11,726	11,953	1.9%
Private Service Producing	2,679	2,679	2,723	1.6%	91,234	91,096	92,733	1.8%
Trade, Trans. & Utilities	720	721	724	0.4%	25,019	24,993	25,318	1.3%
Services	1,713	1,713	1,746	1.9%	55,877	55,739	57,063	2.4%
Local, State & Fed. Gov't	619	619	612	-1.1%	22,104	22,130	21,969	-0.7%
Manufacturing Weekly Hours	41.4	44.3	43.2	-1.1 hrs	40.5	40.5	40.5	0.0 hrs

Motor Vehicle Industry Sales

- May 2012 light vehicle sales totaled 13.7 million units, at a seasonally adjusted annual rate, which was down 4.5 percent from April 2012, but up 17.4 percent from a year ago. At 395,000 units, heavy truck sales rose to their highest level in over five years. Year-to-date, light vehicle sales are up 12.3 percent while heavy truck sales are up 28.2 percent.
- Compared to April 2012, May 2012 domestic sales decreased 3.4 percent while foreign sales fell 8.3 percent. Domestic sales rose 19.9 percent compared to a year ago while foreign sales increased 9.5 percent. Consequently, the foreign share of U.S. light vehicle sales decreased 1.6 percentage points from a year ago to 21.8 percent.
- Auto sales increased 18.4 percent compared to a year ago, while light truck sales were up 16.5 percent from May 2011.

May 2012 Year-to-Date Domestic Car Sales Up Sharply from Year Ago



Motor Vehicle Sales Statistics

(Millions, unless otherwise specified)

Motor Vehicle Sales ^(c)	2011 Average	Mar 2012	Apr 2012	May 2012	3 Month Average	Change from Year Ago	
						Level	%
Autos	6.2	7.6	7.4	6.8	7.3	1.1	18.4%
Domestics	4.3	5.4	5.2	4.9	5.2	1.0	26.2%
Imports	1.8	2.2	2.2	1.9	2.1	0.0	2.1%
Import Share	29.9%	28.8%	29.5%	27.9%	28.7%	-4.5%	pts
Light Trucks	6.5	6.7	7.0	6.9	6.9	1.0	16.5%
Domestics	5.6	5.7	5.9	5.8	5.8	0.8	15.0%
Imports	1.0	1.0	1.1	1.1	1.1	0.2	25.1%
Import Share	15.0%	15.5%	15.5%	15.7%	15.6%	1.1%	pts
Total Light Vehicles	12.7	14.3	14.4	13.7	14.1	2.0	17.4%
Heavy Trucks	0.3	0.3	0.3	0.4	0.4	0.1	26.6%
Total Vehicles	13.0	14.7	14.7	14.1	14.5	2.1	17.7%

Retail Inventories, Motor Vehicle and Parts Dealers^(d)

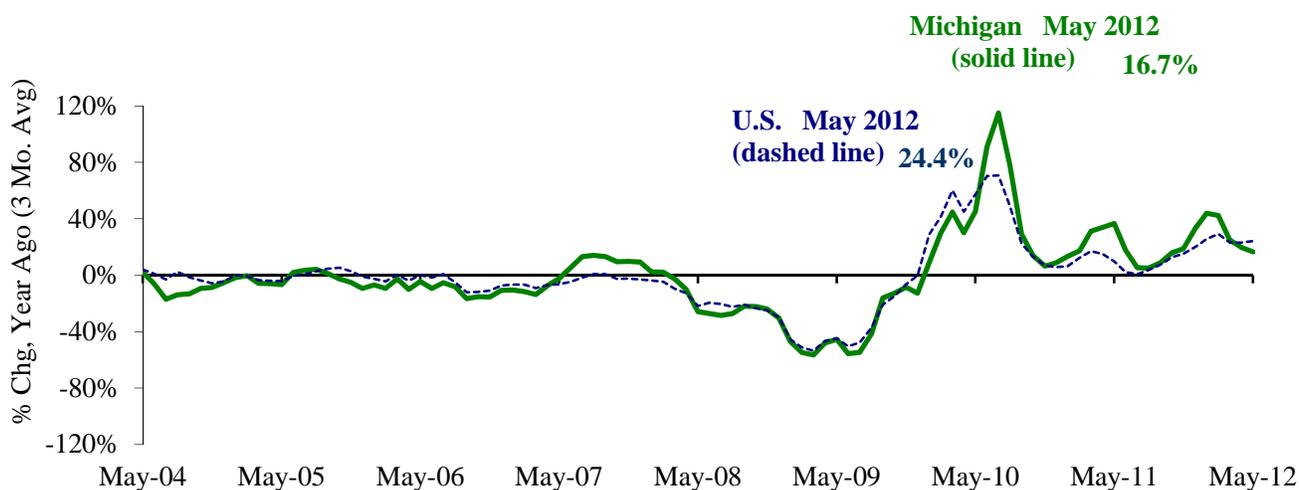
(billions of dollars)

	2011 Average	Feb-12	Mar-12	Apr-12	3 Month Average	Change from Year Ago	
						Level	%
Inventories	\$128.7	\$137.6	\$139.6	\$142.3	\$139.8	\$15.99	12.7%
Inventory/Sales Ratio	1.87	1.88	1.91	1.95	1.91	0.09	

Motor Vehicle Industry Production

- At 213,025 units, May 2012 Michigan motor vehicle production rose sharply (23.7 percent) from May 2011. National production increased even faster (35.2 percent) from last May. Compared to April 2012, Michigan production rose 11.6 percent while national production increased 8.3 percent.
- In May 2012, Michigan car production was up 42.0 percent from a year ago while State truck production increased 12.1 percent. Nationally, car production rose 59.8 percent while truck production increased 21.7 percent.
- From a year ago, Michigan’s share of national production fell 2.1 percentage points to 22.7 percent.

Michigan and U.S. Motor Vehicle Production Up Significantly ^(e,f)



Motor Vehicle Production Statistics

(Thousands, unless otherwise specified)

	2011 Monthly Average	Mar 2012	Apr 2012	May 2012	3 Month Average	Change from Year Ago for the Month	
						Level	%
U.S. Production ^(e)							
Autos	241.7	383.1	357.9	393.6	378.2	147.3	59.8%
Trucks	404.0	568.5	506.9	543.1	539.5	96.7	21.7%
Total	645.7	951.6	864.7	936.7	917.7	244.0	35.2%
Michigan Production ^(f)							
Autos	44.6	79.8	82.0	94.8	85.5	28.0	42.0%
Trucks	86.8	123.6	108.8	118.2	116.9	12.7	12.1%
Total	131.4	203.4	190.8	213.0	202.4	40.8	23.7%
Michigan as % of U.S.	20.4%	21.4%	22.1%	22.7%	22.1%	-2.1 pts	

Local Area Unemployment Rates Fall In All Seventeen Local Areas (Not Seasonally Adjusted)

May 2012 local area unemployment rates ranged between 5.5 percent (Ann Arbor MSA) and 10.2 percent (Northeast Lower Michigan). The median May 2012 unemployment rate was 8.2 percent.

Compared to a year ago, the May unemployment rate fell in all 17 major Michigan labor market areas. The Ann Arbor MSA saw the smallest decline (-1.2 percentage points). The Battle Creek MSA saw the largest rate decline (-2.2 percentage points) followed by the Jackson MSA (-2.1 percent). The median rate decline was -1.6 percentage points.

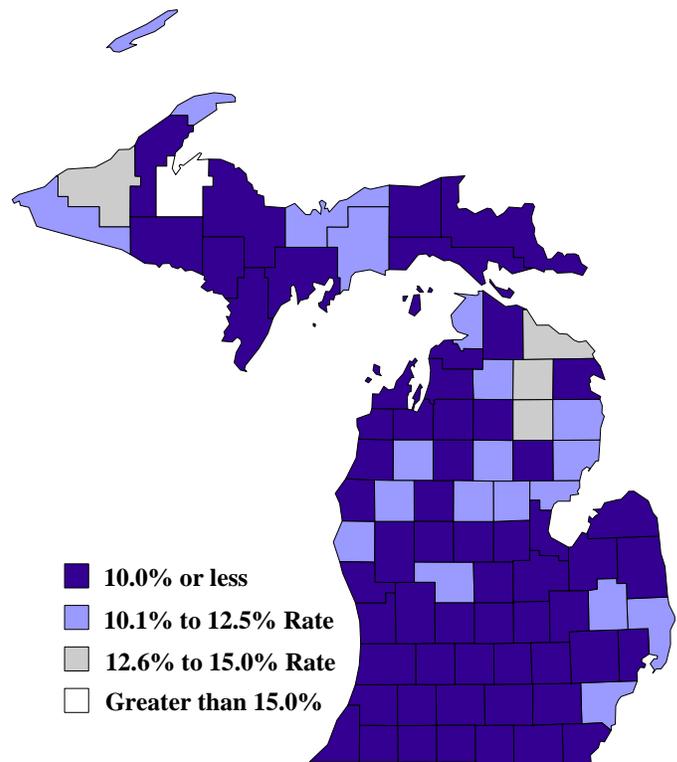
Between May 2011 and May 2012, all 17 labor market areas saw an employment increase. The median employment increase was 2.7 percent with increases ranging between 0.1 percent (Detroit-Warren-Livonia MSA) and 6.3 percent (Holland-Grand Haven MSA). Compared to a year ago, the labor force fell in four of the State's 17 areas while 10 areas saw a labor force increase and three experienced no change. The Holland-Grand Haven MSA experienced the largest labor force increase (4.2 percent); the Detroit-Warren-Livonia MSA saw the greatest labor force decline (-1.6 percent).

Between May 2011 and May 2012, the unemployment rate fell in 82 of Michigan's 83 counties. The median May 2012 rate decline was 1.6 percentage points. Ontonagon County posted the largest decline (-3.6 percentage points) followed by Keweenaw County (-3.5 percentage points). Cheboygan County's rate increased by 0.1 percentage point. Fifty-eight Michigan counties saw a May 2012 unemployment rate below 10.0 percent. Last May, 30 counties had an unemployment rate below 10.0 percent. In May 2012, one county reported a rate higher than 15.0 percent.

Local Area Unemployment Rates^(g)

<u>Local Area</u>	<u>May 2011 Rate</u>	<u>Apr 2012 Rate</u>	<u>May 2012 Rate</u>
Michigan	10.2%	8.0%	8.6%
Ann Arbor	6.7%	5.0%	5.5%
Battle Creek	9.2%	6.8%	7.0%
Bay City	9.7%	8.0%	8.2%
Detroit-Warren-Livonia	11.4%	8.7%	9.9%
Flint	10.9%	8.6%	8.9%
Grand Rapids-Wyoming	8.2%	6.3%	6.6%
Holland-Grand Haven	8.3%	6.1%	6.4%
Jackson	10.1%	7.7%	8.0%
Kalamazoo-Portage	8.8%	6.8%	7.2%
Lansing-East Lansing	8.1%	6.4%	6.8%
Monroe	9.5%	7.6%	7.8%
Muskegon-Norton Shores	10.2%	8.3%	8.5%
Niles-Benton Harbor	10.1%	8.2%	8.6%
Saginaw-Saginaw Township	9.7%	8.0%	8.3%
Upper Peninsula	10.1%	9.0%	8.5%
Northeast Lower Mich	11.7%	11.3%	10.2%
Northwest Lower Mich.	10.7%	9.7%	8.9%

County Unemployment Rates May 2012^(g)

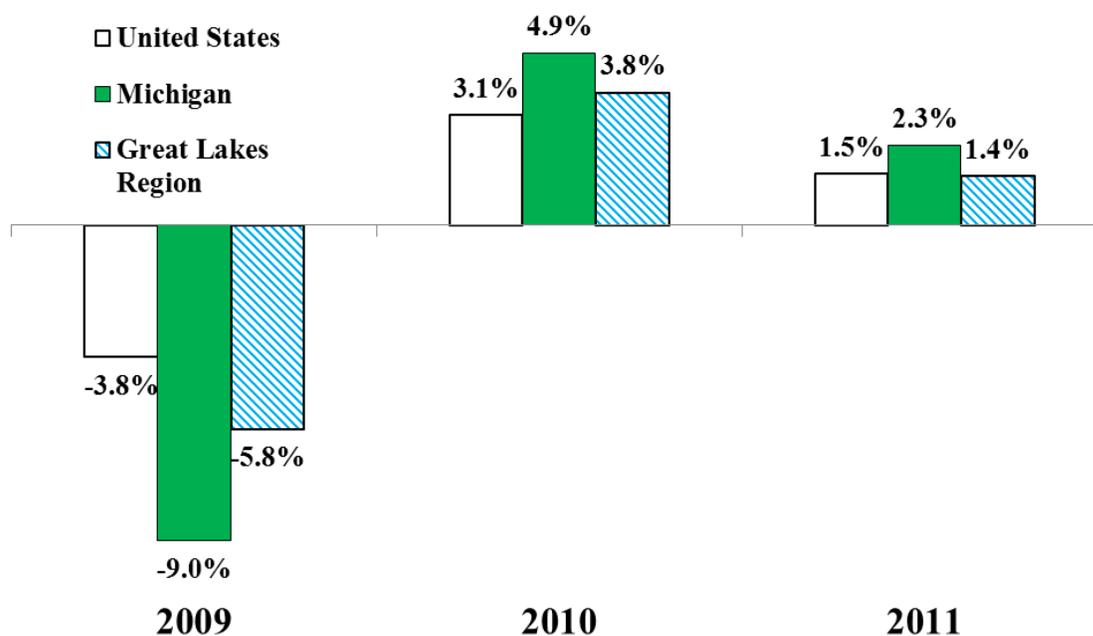


State Gross Domestic Product

On June 5, 2012, the Bureau of Economic Analysis released 2011 state Gross Domestic Product for the first time and revised state GDP data for the years 1997-2010 inclusive. Below are some highlights from the release:

- In 2011, Michigan real GDP grew 2.26 percent compared to 1.47 percent nationally. Michigan ranked 6th among all states in 2011 real GDP growth. In 2010, Michigan real GDP grew 4.90 percent – ranking 7th among all states. Prior to 2010, 2002 was last year that Michigan’s real GDP growth ranked in the top ten (9th).
- In sharp contrast to 2010 and 2011, Michigan real GDP fell 8.98 percent in 2009 and dropped 6.00 percent in 2008. In each year, the Michigan real GDP declines represented the sharpest decline among all states. Further, Michigan recorded only a 0.41 percent increase in 2005, a 2.22 percent drop in 2006 and only a 0.07 percent increase in 2007 – placing Michigan 43rd, 49th and 44th respectively in those earlier years.
- Following three straight years of decline in 2008 (-3.78 percent), 2009 (-4.52 percent) and 2010 (-1.26 percent), Michigan real GDP per capita rose 2.27 percent in 2011 (ranking 4th among all states). Nationally, real GDP per capita grew 0.73 percent in 2011.
- At \$34,166, Michigan 2011 real GDP per capita ranked 40th among all states. In 2011, real GDP per capita ranged between \$28,293 (Mississippi) and \$63,159 (Delaware).
- Despite accounting for only 11.8 percent of 2010 Michigan real GDP, the durable goods industry increase between 2010 and 2011 equaled 56.2 percent of the overall Michigan 2010-2011 increase. Government real GDP declined 2.88 percent in 2011 compared to 2010.

Michigan Real GDP Growth Outpaces Nation and Region in 2010 and 2011 (Percent Change from Prior Year)



U.S. Economic Conditions

	<u>Feb-12</u>	<u>Mar-12</u>	<u>Apr-12</u>	<u>May-12</u>	<u>Change from Year Ago</u>
KEY ECONOMIC INDICATORS					
Consumer Sentiment ^(h)	75.3	76.2	76.4	79.3	5.0 points
ISM Manufacturing Index ⁽ⁱ⁾	52.4	53.4	54.8	53.5	-0.7 points
ISM Non Manufacturing Index ⁽ⁱ⁾	57.3	56.0	53.5	53.7	-0.8 points
	<u>2011.3</u>	<u>2011.4</u>	<u>2012.1</u>	<u>2012.2</u>	
Business Executives' Confidence ^(j)	42.0	49.0	63.0	47.0	-8.0 points
INFLATION ^(k)					
1982-84 = 100	<u>Feb-12</u>	<u>Mar-12</u>	<u>Apr-12</u>	<u>May-12</u>	<u>Change from Year Ago</u>
U.S. Consumer Price Index	227.7	229.4	230.1	229.8	1.7%
Detroit CPI	214.8	NA	216.2	NA	2.1%
U.S. Producer Price Index	192.7	194.4	195.0	193.9	0.7%
INTEREST RATES					
90 Day T-Bill ^(l)	0.09%	0.08%	0.08%	0.09%	0.05% points
Aaa Corporate Bonds ^(l)	3.85%	3.99%	3.96%	3.80%	-1.16% points
INDUSTRIAL PRODUCTION ^(l)					
	97.0	96.4	97.4	97.3	4.7%
CAPACITY UTILIZATION ^(l)					
	79.0%	78.5%	79.2%	79.0%	2.7% points
RETAIL SALES ^(d)					
	\$404.7	\$406.2	\$405.3	\$404.6	5.3%
HOUSING STARTS and SALES					
(Millions Annual Rate)	<u>Feb-12</u>	<u>Mar-12</u>	<u>Apr-12</u>	<u>May-12</u>	<u>% Change From Year Ago</u>
Housing Starts ^(d)	0.718	0.706	0.744	0.708	28.5%
Existing Home Sales ^(m)	4.600	4.470	4.620	4.550	9.6%
DURABLE GOODS ORDERS ^(p)					
	\$223.6	\$215.3	\$214.7	\$217.4	4.7%
PERSONAL INCOME ^(c)					
(Billions of Dollars)	<u>2011.2</u>	<u>2011.3</u>	<u>2011.4</u>	<u>2012.1</u>	<u>% Change From Year Ago</u>
Michigan	\$358.7	\$362.3	\$366.2	\$369.4	2.9%
U.S.	\$12,932.7	\$13,033.8	\$13,084.2	\$13,194.0	2.9%
GROSS DOMESTIC PRODUCT					
(Billions of Chained 2005 Dollars) ^(c)	<u>2011.2</u>	<u>2011.3</u>	<u>2011.4</u>	<u>2012.1</u>	<u>Annualized % Chg From Last Qtr</u>
	\$13,271.8	\$13,331.6	\$13,429.0	\$13,491.4	1.87%

SOURCES AND NOTES:

- (a) Seasonally adjusted. Sources: Bureau of Labor Statistics, U.S. Department of Labor and Michigan Department of Technology, Management and Budget.
- (b) Bureau of Labor Statistics, U.S. Department of Labor (BLS 790).
- (c) Seasonally adjusted annual rates. Source: Bureau of Economic Analysis, U.S. Department of Commerce.
- (d) Bureau of the Census, U.S. Department of Commerce
- (e) Automotive News.
- (f) Michigan Department of Treasury.
- (g) Michigan Department of Technology, Management and Budget.
- (h) University of Michigan Survey of Consumers.
- (i) Institute for Supply Management (ISM), formerly NAPM.
- (j) The Conference Board.
- (k) Bureau of Labor Statistics, U.S. Department of Labor.
- (l) Seasonally adjusted rates (except interest rates). Federal Reserve System Board of Governors. 2007 equals 100. Treasury bill rate (secondary market).
- (m) National Association of Realtors.